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CURRENCY AND BANKING SYSTEM OF ENGLAND

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THE

CURRENCY AND BANKING SYSTEM

OF

ENGLAND

AND THE

SISTER KINGDOMS.

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THE
CURRENCY AND BANKING SYSTEM
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COMMERCE, and the diffusion of the enjoyments of civilized life, are so dependent upon the existence of a circulating medium, at once sufficiently extensive for the present wants of the community, and of a nature which renders it capable of expansion, in accordance with any extension which these wants may receive, that the means of creating and maintaining such a currency, must ever take the first place with the financier and political economist.

This position being admitted on all hands, it appears extraordinary that so little progress has been made amongst mankind in devising and regulating what they acknowledge to be so essential to the gratification of their wants.

The systems which have been hitherto acted upon, have confessedly proved to be defective, and liable to fluctuations which have had the most

prejudicial effect upon transactions both public and private. This confession the partisans of a specie and of a paper circulation have each, in their turn, been compelled to make.

The advocates for a metallic currency have been surprised when they found circumstances drain, at one time particular districts, and at others the whole country, of the greater part of its specie, and leave the industrious unable to dispose of the products of their industry, on the fair terms to be met with in a market into which all the classes of the community are enabled to enter, and forced to dispose of them to a few monopolists, who have gathered in their grasp the scanty remainder of money; while, on the other hand, their opponents, who have for a time pointed with triumph to the activity and enterprise called forth by a plentiful circulation of paper, have been at once paralysed by the convulsions which have assailed the commercial and political world, in consequence of some shock which the credit of their paper system had received.

The first of these classes of reasoners appeals to the certainty and security afforded by the exchange of actual value over that given by the exchange of paper for the products of agriculture or commerce; but they forget that gold and silver are of themselves mere marketable commodities, fluctuating in value like any other, with the additional disadvantage, that they are more limited in quantity, and less susceptible of receiving an indefinite increase, than are the products of the vegetable and animal kingdoms, and of industry, the

consumpt of which increases so rapidly with the progress of wealth and of civilisation. It is this limited quantity of the precious metals, in proportion to the demand for them, that is their greatest defect as a circulating medium; and the stamping of these metals as coins, and the attaching a species of nominal arbitrary value to them, has had the effect of blinding the great bulk of mankind to the fact that these coins are themselves mere articles of traffic, and has made them suppose that there was some magical virtue or extrinsic value communicated by the stamping of the head of a sovereign, or the arms of a republic, upon a piece of metal, which otherwise would have been judged of by the weight of which it was possessed, and the price which that weight bore in the market. Influenced by this delusion, the many never conceive that the rise or fall of markets, and the scarcity or abundance of commodities, is much more generally dependent upon the scarcity or abundance of gold, than upon the supply which is, or might be afforded, of the products of the soil, or of industry.

On the other hand, a paper currency has as yet been found to be attended with still greater and more extensive evils. Such a currency has too frequently turned out, not to be, as it ought, the representative of property possessed by the parties giving circulation to it, but to rest its claims to acceptance on no better foundation than the speculative character of persons who, having wrought themselves into credit by the correctness of their at first comparatively limited transactions, have

used that credit for their own profit in an extended circulation, until at last some inaccuracy on their part, or some panic on the part of the public, has given rise to a demand for the conversion of the paper, and discovered how baseless had been the credit on which it rested.

Founding upon, and influenced by the great and easily apparent evils which have arisen from a Paper Currency, constituted as it has hitherto been in England, and as is before described, an attempt has been made to remedy these evils, by circumscribing the amount of that currency. This attempt is not judicious, nor can it be effectual to attain the wished-for end.

There is not a sufficiency of the precious metals to supply the wants of the British nation, nor can such sufficiency be obtained. The last published returns of the Bank of England, show that the specie held by that body is not sufficient to meet much more than half of the deposits made with it, and that its whole circulation rests on the credit of securities held by it. By noticing this fact, it is not for a moment intended to cast a doubt upon the stability of the Bank of England, or the credit of its circulation—quite the contrary. Its assets are believed to be more than sufficient to give ample security for every demand upon it; but it is intended to deduce from this a foundation for the question of, Is it not possible, and, if possible, is it not proper, to place the whole banking system of the empire on as secure a footing? That such is possible can easily be demonstrated; as also, that through this means the country may be put in pos-

session of a safe circulating medium, capable of expanding itself to meet the growing wants and resources, at once of the mother country, and of the most distant colonies—of regulating, turning, and preserving the balance of exchanges in our favour, and of uniting and consolidating the interests of various, and at present conflicting, classes of society.

With a view to this demonstration, it is necessary, at the outset, to consider the elements of which the *whole* circulation of the country is composed, and the effect produced by the different parts upon each other.

That circulation is divided into three parts—the metallic circulation—the circulation of bankers' paper—and the circulation of bills of exchange.

The materials for the metallic part of this circulation being exclusively foreign products, fall to be procured at a great and constant expense; while, at same time, the fluctuating demand for them in other countries causes frequent and extensive exportations, which give rise either to a diminution of the circulation, or to the support of its quantity in the unsafe form of an increased issue of the paper of unstable speculative country bankers, and private bills of exchange.

When an actual diminution of the circulation takes place to any considerable extent, then the operations of commerce are cramped and narrowed, and thrown exclusively into the hands of, or at least rendered liable to, the absolute control of a few large capitalists, whereby the prosperity and comfort of every class of the community, with the

exception of those few monopolists, is destroyed—an evil which has caused the ruin of every commercial state which has yet existed, and which is at the present time largely felt in Britain. It is an evil which always has taken its rise when those states were enjoying a higher degree of prosperity than any to which they had previously attained, because it arises from the quantity of the precious metals being insufficient for the purposes of such an extended commerce, and the accumulation of large fortunes by members of the mercantile class, putting it in the power of those members to monopolize and control this scanty and insufficient supply. This disease is rapidly progressing in the commercial system of Britain, and will, if not checked by an effectual cure, speedily reduce that commerce from the proud and beneficial position of exercising an active influence upon every class of the community, and being a great means of infusing into those classes who govern the country fresh energy and strength, by the addition of recruits from the most industrious, vigorous, and best informed of the classes beneath them, to acting merely as the means of swelling the already overgrown fortunes of a small body of monopolists, and introducing the lethargic luxury of the few, and the poverty, slavery, and mixed indolence and turbulence of the many. Such is the course Britain is running in the steps of her predecessors in commercial greatness, and yet the community is unconscious of the evil—every voice is raised against any monopoly *constituted* by the law, but every eye is shut to the greatest and most ruinous

monopoly of all, *permitted* through the law's imperfection. In Britain, too, this state of things has been hastened in its progress by the immense accumulation of public debt, which has given rise to a multiplication of money capital wholly unprecedented. The large sums borrowed by the Government were not subtracted from the national stock ; but, on the contrary, being either directly expended within the country, or finding their way back to it, in consequence of the commercial position which it held during the period of the French Revolutionary War, which was that within which the greater proportion of the public debt was contracted, they were only transferred from one set of hands to another, and thus tended while their circulation lasted to increase the national wealth ; but now when that circulation has ceased, the existence of those sums in the double situation of the property of the manufacturer and merchant, and of the fundholder, has given to the monied interest a preponderance to an extent that is injurious to the general welfare.

If, on the other hand, the want of the metallic circulation is partially and temporarily supplied by an additional issue of country bankers' paper, (who, by their present constitution, do not give security to the public,) and of private bills of exchange, the stagnation is only postponed for a time, and is eventually preceded by a convulsion, as the circulation introduced is not based on real wealth.

The second branch of the circulation, being bankers' paper, constituted in great part as it was and still is in England, is perhaps the most exceptionable

that could have been permitted to exist. The banks, with the exception of the Bank of England, having been, up to a very recent period, limited in the number of their partners, and the laws as regarded landed and various other descriptions of property, protecting it from attachment for mercantile debts, the bankers were in great part men of little capital, or speculative men employing the credit which they acquired as bankers, as much for the purpose of facilitating commercial transactions of their own, as those of other members of the community. This limitation of the number of partners has indeed been done away with, and the laws of landed property so far altered as to make that description of property belonging to registered bankers liable for their banking debts ; but the law is still imperfect, in particular as regards the purely private constitution of mortgages, and in consequence of this, and of the practice of giving forth a prospectus embracing a large subscribed capital, on which frequently only a trifling per centage is paid up, the security of the public has been but little augmented in most instances, and the partners of banking houses are still, almost exclusively, merchants and manufacturers, who become bankers chiefly with the view of facilitating their own credits and discounts; and thus it may often turn out that the bank has not merely been trading upon no capital, but that its partners have used their influence as such, to procure for their own bills the paper of the bank which they have pushed into circulation, deceiving the public by the appearance of a banking capital, whereas, in reality there only existed a combina-

tion of merchants, circulating a mass of accommodation paper, for their own benefit, under the name of bank notes.

The paper of the Bank of England certainly stands on a very different footing from that of the country bankers. The bank possesses an actually secured capital, and its issues are liable to the surveillance of Government; but this branch of the circulation also is liable to objections. It is deficient in quantity for the supply of the wants of the country—the check afforded by the surveillance of Government has often lost its efficiency in the opinion of the public, in consequence of transactions betwixt Government and the Bank; and, in consequence of the insufficient amount of the secured circulation of the Bank, it is exposed to the effects of runs or panics, arising out of the improper and unstable constitution of the banking system generally, as paper of all kinds soon partakes of the discredit attachable to any large portion of it.

The third branch of the circulation, in the shape of bills of exchange, was, in its original conception, and in its proper use, the greatest improvement that ever was made in the commercial world. By it, instead of commerce being limited to simple barter, as in its first stage, or the merchant being compelled to carry with him, at great risk and cost, a supply of the precious metals, he was enabled to pay for the goods which he bought by granting a bill for the amount payable at a place where these metals were abundant, or where, by other transactions, a credit was established upon which he could make his present purchase.

To inland bills the same observation applies, with this difference, that instead of embracing a variety of places in their action, they embrace a variety of time, to enable the purchaser, by the fair operations of his traffic, to discharge the amount of his purchase. So far, therefore, as bills of exchange are based upon the existence of actual property, they are highly beneficial; but when, as is frequently the case, they are concocted without value on either side, for the purpose of raising a fund for speculative trading, they require the strictest regulation, which cannot be afforded by direct legislative enactment, but which can be afforded by a proper regulation of the banking system—by the separation of the characters of banker and merchant, and thereby extending credit based on property, and limiting that resting on speculation.

All paper circulation ought to have the same basis—the same construction as bills of exchange. It ought to be the representative of actual value, although that value may be in a different form from gold or silver; and it is in this different form of value that the utility of a properly constituted banking system, and paper currency resting upon it, consists. But, with some few exceptions, in what situation has the banking system, and the great branch of the circulating medium arising out of it, not merely in England, but in the world at large, been left? It has been left to rest, not upon a credit established upon the possession of actual property, but upon a credit raised by the management of a few clever and active men, who, pos-

sessed of a little capital, at first employed it in giving discounts and accommodations to their neighbours, and who, gradually taking the name and style of bankers, induced individuals to deposit their money with them, on which money they trafficked as bankers, as merchants, or as any-thing else they pleased, to an extent far beyond their own capital, thus exhibiting the spectacle of men, destitute of property, in the words of the late Lord Liverpool, "usurping one of the greatest prerogatives of the Crown," and circulating—not deteriorated coin, bad as that is, but paper worth, in many instances, little more than its intrinsic value.

This evil is so generally admitted, that it is unnecessary to pursue the delineation of it farther, but the question of, How is it to be remedied? is what now remains for consideration.

To this question the answer is, by rendering available and calling into action the fixed property of the country, as the basis of a safe and extensive circulating medium, at once metallic and paper.

As has been already observed, the merchant is permitted to sell his goods, and take for them, perishable as they are, a representative in the shape of a bill of exchange, by the conversion or transmission of which, from hand to hand, he has the constant and active use of his capital, while that capital itself is in fact locked up, and awaits the fluctuations of markets for its realization; but that large, valuable, and easily secured portion of national wealth, the landed property of England, has hitherto been shut out from acquiring the cha-

racter of a valuable—it may almost be said an invaluable—element of commerce, by becoming a part of the active, as well as fixed capital of the country, by using itself for its own improvement, and for the firm, steady, and extensive support of those manufactures, and that commerce, which are so essential to its prosperity. By this is meant, in few words, that land, and every other kind of property, should be subjected to the laws of commerce, and by an alteration and simplification of the laws regarding it, made capable of being cheaply and easily rendered liable for all the debts of its proprietor, although not existing in the shape of mortgage, or in any other manner capable at present of effecting such descriptions of property; and that the capital of every Banking Company, issuing notes, should be required to be publicly declared, and to be fully paid up, either in money, land, transfer of mortgage, stock in the public funds, or otherwise.

Such an enactment would unquestionably have the effect of founding the whole circulation of the country on actual property, and giving to it absolute security; for the objection that land—being not immediately convertible in all circumstances—is not a proper basis of circulation, will be obviated by means to be afterwards stated, whereby it may be made fully available for such a purpose.

The premises on which to build a system for a safe and expansive circulation being thus laid down, it remains to state the means by which such may be established. These means are,

1. The rendering land, stock in the public

funds, and all other property presently exempt from or difficult of attachment for mercantile debts, liable to such attachment by a cheap and easy process, and the establishment of a public register of the names of the partners of banking houses issuing notes, with the amount of stock held by each respectively, under a provision that such entry shall enforce a liability for its amount against the property of the party, equivalent to that afforded by a completed mortgage; and shall be transmissible as a mortgage held by the bank, in the same manner as is provided for in the 10th enactment in regard to a general record of mortgages; and where such property is in the public funds, or in any other situation presently transferable by assignment, the entry in the public register should be completed by intimation, or otherwise, in the same way as is presently done in cases of assignment.

2. The allowing the partners of banking companies either to pay or contribute their share of the capital stock in money, or by giving right of mortgage over land, or other property or stock, in the manner before provided for, the value where such payment is not made in money, being ascertained before courts or commissioners empowered for this purpose; and the security of the public that the valuation shall be fairly made, should be enforced by rendering the whole property (as well that not subscribed as bank capital, as that which is) of each partner liable for the bank debts, which would give to each of those partners a strong interest to see that the stock of his copartners was

actually fully paid for; the capital stock being always paid up in full, and the amount publicly declared at the time of the formation of the company, the distinction of subscribed and paid up capital being abolished.

3. That on a transfer of stock being made, it should be effected by simply altering the name in the bank books and public register.

4. That one or more banks, in addition to the Bank of England, (in order to place that body under the control of competition with another body, or bodies, of equal responsibility,) should be established in London, with power to issue notes, which should be a legal tender to any amount every where, excepting at the banks themselves, where gold *and* silver should alone be legal tenders.

5. That the notes, as well those of the metropolitan banks as of the others, should bear a stamp duty in proportion to their various amounts, whereby the periodical issue of each banking house would be ascertained, and the amount of such issue should be certified by the Commissioners of Stamps to the Treasury; the notes being at same time only reissuable within a certain limited period from their date.

6. That each bank issuing notes should transmit to the Treasury an annual balance-sheet, showing their issues, liabilities, and assets, attested, upon oath, by the manager and a quorum of the directors, after the same had been submitted to a full meeting of the partners.

7. That these balances should be accessible to the members of the Treasury Board, and to a standing committee of each of the Houses of Parliament.

8. That the parties to whom such balances were so rendered accessible, should be bound to secrecy.

9. Joint Stock Banks, and all banking companies, and the partners of such banking companies as are constituted on the footing of an ordinary copartnership, issuing notes, should be prohibited from being merchants, manufacturers, or traffickers of any description.

10. A public register of mortgages should be established, and, on the expiry of the time when a mortgage can be called up, it should be in the power of the mortgagee, in the event of the mortgager not paying the amount, to transfer the mortgage from hand to hand, as he could do stock in the public funds, by indorsation, duly recorded in the register, and without any other form of law.

Such are the provisions by which it appears possible to effect the desirable end of establishing a currency and banking system of the most secure description, capable of expanding with the growing prosperity of the country, and of being in itself a principal element in that prosperity, by imparting an efficient active power to the fixed capital of the nation.

It will now be proper to go over these different provisions, and point out the effects which it is expected each would produce.

The first enactment would throw into the scale of active commerce some of the greatest and most valuable portions of national wealth, which are presently altogether or nearly shut out from it. So far as regards land, this has long been the case in Scotland, and is now the case in several of the

continental states. In the first-mentioned country, it is the true cause of the stability of its banking system and paper currency, which has been erroneously ascribed in England to some mere superiority of management in that system. The very issuing of notes by bankers supposes the want of an extensive *active* capital, (or, in other words, of gold and silver,) but the possession of an ample *guarantee* capital; and such was the situation (as regards the latter species of capital) in which the laws of landed property placed Scotland. That country, up to a very recent period, possessed almost no active capital, and still possesses comparatively little, but her landholders, and other possessors of her fixed capital, formed themselves into banking companies; and on the credit of their land, the notes which they issued were readily received by the people, and thus was that land actually doubled in value for the public benefit, by being converted into an active as well as a fixed capital; thus was it made the instrument of its own improvement, and of the introduction and support of commerce and manufactures. The same system still prevails in Scotland, where the characters of banker and merchant are, and have been kept distinct; and the results of experience show how secure that system has been in comparison to that adopted in the southern part of the island. Even this system, however, it is thought would be much strengthened by some of the enactments at present proposed, particularly by the provision for the easy transmission of mortgages, which would afford great additional facilities for the employment of

bank capital and deposits on secure investments, free from the risk of any sudden fluctuations.

The merit of the Scotch system is, that in consequence of the laws of property it affords a much superior security from the individual estates of the partners, *beyond* the bank capital, to that which the law of England does ; but in Scotland also the evil distinction betwixt subscribed and paid up capital has obtained in the constitution of some of its banking establishments ; and it is at present proposed that a large and apparently sufficient capital should not only be subscribed, but actually be fully paid up ; and as this cannot be done to the extent required in money, it is proposed that it should be done in land or other property, by the simple means of proof of property, and public enrolment and register, provided for in the latter part of this first enactment, and as regulated by the second and third enactments.

To the allowing payment of stock by mortgage of land, or other property, it may be objected that such is not always immediately convertible, and therefore does not afford the means of meeting such demands as sudden runs or panics cause to be made upon bankers. But do not such panics arise from a doubt of the security of the bank ; and would they not be obviated or prevented by a knowledge that that security was sufficient ? In addition to this, is it not a fact that the capital stocks of, and deposits with, the most established and secure banks are, and must be invested in securities on land and otherwise, the very trade of a banker consisting in lending ? And if so, why should not

the holders of such securities, or those capable of granting them, be allowed at once to impute them in payment of bank stock, (or, in other words, to constitute them as part of it,) instead of being first compelled to pay for that stock in money, in order that that very money may be invested in similar securities?

In so far as mortgages on land are concerned, it is true they are only convertible at present after tedious delays and at great expense, but this would be fully and completely obviated by the enactment No. 10, whereby they would become as marketable, and as easily transmissible, as stock in the public funds; and, in consequence, besides large advantages to other members of the community, the landholder would have the greatest facility afforded to the raising of money, on the easiest terms, for the improvement of his estate, as the security of instantly realizing his capital, which would be possessed by the mortgagee, would stimulate whole classes, who are at present precluded from transacting in such securities, to engage in them.

No doubt that very enactment is liable, and might be expected to meet, from recent example, violent opposition, as that opposition has been offered to the attempt at establishing a public register of mortgages in England; but if, as is universally admitted, it is of the highest importance to define the rights of property, and to prevent thereby the prostitution of the law to the purposes of spoliation, for which the sword was used in more unlettered times, it is difficult to conceive on what

the opponents of such a register can fairly rest their arguments. The property in moveables is, in the greater number of instances, held to be evidenced by possession, and, as the possession of real property remains to the mortgager, and the knowledge and reputation of such possession is liable to be much more extensively diffused than is that of moveables, it is impossible but that the absence of a publication of mortgages must be frequently productive of the raising of false credits, seeing that the possessor of an estate may not have a single farthing's worth of property in it. The supporters of the private constitution of mortgages cannot, and need not attempt to gloss this over; and it is not a little surprising to have trivial objections of imaginary inconveniences, and trifling expenses, opposed to what positive justice and obvious commercial utility require. But, to remove every objection, it might be made optional to the proprietor of a property, or the parties to a mortgage, to make it stand on a recorded title or not, with this proviso, that a property or mortgage, which should once be made to rest on a recorded title, should for ever remain in that situation. Were this to be done, there is not a doubt that within a very short period of time, the security and efficiency of recorded titles would become so apparent, that nearly the whole property in the country would come to be held upon them.

The fourth enactment, in providing for the establishment of more banks of issue in London than the Bank of England, is intended, by the mutual exchanges which must take place amongst them,

to establish that efficient mercantile check which the necessity of supporting credit with a rival or copartner, in a joint adventure, effects. This check is the more necessary to be established within London, as it is proposed to give to the notes of its bankers the privilege of being a legal tender in the provinces. The reason for giving them this privilege is, that by thus establishing one great centre of domestic exchange, the constant expense and trouble of transmitting specie to the provinces would be avoided, and the consequent accumulation of the precious metals which this very circumstance, combined with the immense wealth of the metropolis, and the position which it holds in regard to foreign exchanges would cause, would insure a sufficient supply for the purposes of exchanges, both foreign and domestic, as well as for the general uses of commerce.

Should any objection, however, exist as to the multiplying of banks of issue in London, although it is thought that this would prevent the same perfection of security in the banking system which would arise out of their establishment, yet it would not afford any sufficient objection against the other parts of the system now proposed ; and if the exclusive privilege of the Bank of England is to be continued, the publication of its balances presently existing should also be continued.

The 5th, 6th, 7th, and 8th enactments, it is thought, would provide a very efficient means of obtaining accurate information, and of providing measures of regulation and control in the hands of Government, in addition to the mercantile check

of competition, and consequent necessity on the part of the bankers of preserving credit with each other. The universal imposition of a stamp duty upon bank notes, and the information which can thereby be obtained from the Stamp-Office, combined with the enforcement of the exhibition of annual balances, first to the partners of the banks themselves, and then to the Treasury and committees of Parliament, seem to afford as perfect a security to the public as can well be given, particularly when taken in connexion with the 9th enactment, prohibiting the union of the characters of banker and merchant.

These securities may be thought, at first sight, by the advocates of free commerce to be infringements upon that freedom, and liable to objection ; but it must be remembered that the trade of banking, or at least that part of it which consists in the issuing of notes, is one of a very particular kind, and that the Bank of England is already subjected to a surveillance of a similar description. While the ordinary bill of exchange has its fixed and definite currency in point of time, at the expiry of which the capital which it represents must be produced for its extinction, the banker, for a period, the only limit of which is the continuance of his solvency and credit, continues to re-issue the same or similar notes, and thus maintains not a *temporary*, but a *perpetual* circulation of exchange, based, in a great measure, upon a fixed guarantee capital, not liable to be called upon, unless the public doubt its sufficiency, or are dissatisfied with its management. In such circumstances, where

the public actually enter into a sort of joint adventure with the banker, for their mutual benefit, the management of which is solely entrusted to him, it seems reasonable, and is necessary that they, or rather those who hold the legislative and executive powers of the state, should be furnished with a knowledge of that management, in order that they may see if it is conducted for the purposes of their welfare. At same time the profits of the banker would be so much increased, and his risks so much diminished by the credit, and consequent circulation of his notes, and the universal stability of the system, that while the checks proposed, combined with the necessity for the existence and actual advance of a large capital, would drive the speculative and unsubstantial of the class from the field, there cannot be a doubt that their place would be much more amply supplied by men of real property. And this is not all. By the information conveyed to the Treasury and the Parliament, and the explanations which these bodies would have it in their power to obtain of the causes and effects of every fluctuation, not merely amongst the banking interest itself, but amongst every other class of the community, as bankers must necessarily be conversant with, and affected by all those fluctuations, Government would be put in possession of a more correct and extensive knowledge of the situation of every class of the people, and of every district of the empire, than could be obtained by any other means. The importance of such a knowledge, for the purposes of legislation and adminis-

tration, needs only to be mentioned to be understood, and does not require to be commented upon.

Having now, it is thought, fully demonstrated the practicability, importance, and means of establishing throughout Great Britain a currency, combining all the advantages of gold and of paper, and only limited in quantity by the wants of the community, it now requires, in the next place, to be considered how this circulation is capable of being extended to the colonies.

To do this by the ordinary institution of branch banks would obviously be very unsafe and improper, in consequence of the distance, and consequent impossibility of applying to such branches the efficient control either of the parent institution, or of those public checks proposed to be established; but it could be done by the establishment of responsible agents, who should be entrusted with certain amounts of the bank notes, and empowered to advance such notes upon security of land and buildings, or deposit of goods, and upon the discount or purchase of bills upon Europe; such notes so advanced to be payable by the agent, on demand, by bills on London. By this mode, as the notes would have the ample security of British property, the colonies would be put in possession of a safe medium of internal circulation, expanding with their wants and the growth of their commerce. The proprietor of the soil, after he had expended the capital of which he was possessed on the improvement of one part of his estate, could, on the security of that portion, readily obtain the means of extending his culti-

vation, without waiting the gradual rise of fresh capital sufficient for the purpose, from the periodical profits arising from his previous expenditure and industry ; and the merchant would have it in his power to command advances upon his goods and his bills for the purposes of internal trade, while at same time he could procure for the payments in notes which he would receive in the course of that trade, bills upon London to meet his payments in Europe or other places.

The mutual advantages derivable by the mother country and the colonies, from the institution of such a system, would be very great. The former would derive at once the direct profit upon her banking transactions, and the equally sure, though more indirect one, arising from the rapid and secure improvement of the colonies ; the latter would be put in possession of the means of making such secure and rapid advance in prosperity through the existence of a safe and abundant currency.

Such reciprocal benefits would materially tend to strengthen and perpetuate union ; and if it be objected to the detail of these benefits, that the British bank notes would necessarily circulate at a discount in consequence of not being payable in specie, excepting at the distance of the mother country, the answer is afforded by the general high rate of interest in the colonies, compared to that at which these notes could be issued, and by the influence which their convertibility into bankers' bills on London would give them in the exchanges—two circumstances which would more

than compensate for any nominal discount at which they might occasionally pass current.

The question of the extension of the benefits of the mother country to the colonies being thus met, the influence which the proposed system of currency would have upon foreign exchanges, comes now to be noticed.

These exchanges, it is well known, resolve themselves simply into a matter of debit and credit betwixt one place and another, which necessarily arises from the one party requiring more of the productions or possessions of the other, than are wanted in return. In influencing this, on the one side or the other, therefore, the importance of the demand for the precious metals must be apparent; and, as the establishment of the proposed system of currency and banking in Britain, would lessen the necessity and consequent demand for these metals there, and render that demand more steady, and less liable to fluctuations, the turning and preserving the balance of many exchanges in our favour, which are, or maybe, at present placed in the opposite position, would take place, and thus insure to the country the possession of a larger share of the profits of her industry and commerce.

This very circumstance of its tendency to lessen the quantity of the precious metals in the country, will cause many to think unfavourably of the proposed system; but the answer is easy. These metals are in themselves no more worth than land or ships; they can but buy the one or the other. The internal currency would be supplied, to the satisfaction of the

public, without them, (for be it remembered they would still be the sole standard of conversion of the bank notes,) and it would be in consequence of this want of demand for them, arising out of this satisfaction, that their quantity would be diminished. In short, the country would then be placed in a situation to have all it wanted of them, which is all that is required of any commodity, while at present it cannot get enough to supply its wants.

As to the foreign trade of the country, it is well known to those versant in the principles of exchanges, that it is not so much possession, as the right to possess, that is the soul of these operations, and that gold at **Hamburgh** is more available for the purposes of British commerce, if **Hamburgh** is indebted to **England**, than if it were lying at **London**.

On this subject the public are apt to be misled by the exportations of bullion and of specie; for this arises much more frequently from the superior demand for these things in other countries, caused by some shock which credit has received there, (as recently in the **United States of America**,) than from any claim of debt which they have on the country from which the exportation takes place, and this branch of trade could be as easily and as profitably managed by **British** merchants from foreign as from home ports, and that too, without creating a diminution in domestic circulation.

Even when the exchanges at particular places, or even pretty generally, are against one country, or that country requires to make large remittances abroad, as in time of war, it is known to those ac-

quainted with the management of circulations of exchange amongst the commercial capitals of Europe, how easily such difficulties can be obviated.

After this it falls to be considered, how far the system sought to be introduced is calculated to unite and consolidate the interests of various, and presently conflicting, classes of society. Its influence in this important point of view, could not fail to be immense. The landholder and the merchant have been sought to be dissevered, and their interests to seem different and opposed to each other; but were they placed in the situation of giving to each other not indirect, (which they have always done, and must always do,) but direct and immediate support and assistance—were they brought to communicate to each other, on a footing of undeniable common advantage, reciprocal profits—in short, were they constituted banker and trader, what advantages must not be the result? Must not each acquire an intimate knowledge of the circumstances, wants, and wishes of the other, and must not an identity of wishes (as there is already an identity of interests) speedily arise?

To descend from the landholder and extensive merchant, to the middle and lower classes of society, who are more than all affected by an abundant or scanty circulating medium, as the moment that that medium becomes scarce they are borne down by the great capitalists, who gather all within their own stupendous grasp, and reduced from

activity and industry, to torpid inactivity, despair, and vice, what would be their situation under the proposed change? The monopoly of an insufficient currency by the few large capitalists being broken up, we would no longer hear the daily expression of surprise, that although immense wealth was undoubtedly in the country, yet the farmer, the manufacturer, the tradesman, and the labourer, could not earn their daily bread, or advance themselves by honest industry; but, on the contrary, we would see the ready support of wealth extended to industry, and industry raise itself to wealth. Such has been the case in the onward course of Britain, and such it may still be, unless her people perversely resolve on their own ruin.

Finally, the introduction of a system wherein land would be the chief element in the guarantee capital of banks, would tend greatly to give permanency to the ascendancy of British commerce. Such a capital cannot be removed as others can. It is fixed and permanent. In the use of it Britain cannot be rivalled by Holland, where land bears so little proportion to the floating capital of the country, and Dutch capital would not unfrequently be introduced to raise the value of British mortgages, and increase the stock of national wealth.

If Holland cannot rival Britain in this department, as little can France, where the non-existence of the law of primogeniture has destroyed the class of great, and even of considerable landholders.

If the introduction of a system of currency, the basis of which should be land, would be beneficial to England, a single glance at the present situation of Ireland with her deficient circulation, and vast but unimproved natural resources, capable in themselves of being at once the source and object of improvement, must lead to a conviction of its peculiar applicability to that country; and should it be opposed in both countries, through the influence of the monied interest, and of the banks of England and of Ireland, the field presented to Scotland is at once wide and beneficial. That country already possesses the best constituted banking system in existence; and by the introduction of a record of transfers, to which mortgages could be transferred after they had been called up, and thereafter pass from hand to hand by indorsation, that system would be perfected, and Scotland, from having been at one time the poorest portion of the empire, might become the chief banker of the whole, and diffuse wealth and prosperity not only over her own surface, even in the remotest districts of her Highlands and Islands, where agriculture still languishes for want of capital, but over the colonies also, from which latter source, her trade at once with these colonies, and with foreign countries, could be increased to an immense extent; for, by the establishment of agents in London, Amsterdam, Hamburgh, and the other great commercial cities, she could, through the employment of her perfectly secured bank capital, act as a centre of exchange with little less effect than London itself.

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